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HARRIS
P.L.I.

DECISION



**THE COMPTROLLER GENERAL
OF THE UNITED STATES**
WASHINGTON, D.C. 20548

FILE: - B-189251

DATE: March 16, 1978

MATTER OF: George A. Aretakis & Associates -
Reconsideration

DIGEST:

Decision holding that RFP for auditing services properly limited category of qualified offerors to Certified Public Accountants is affirmed.

George A. Aretakis & Associates has requested reconsideration of our decision George A. Aretakis & Associates, B-189251, October 19, 1977, 77-2 CPD 303, which denied its protest of the award of a contract for auditing services to any other offeror under request for proposals (RFP) No. WA77-B302 issued by the Environmental Protection Agency (EPA).

In that decision we held that the RFP limited the category of qualified offerors to Certified Public Accountants (CPA's) and that this requirement was neither ambiguous nor unnecessarily restrictive of competition. The requirement that the offerors be CPA's is derived from a General Accounting Office pamphlet, incorporated by reference in the RFP, entitled "Standards for Audit of Governmental Organizations, Programs, Activities and Functions." In Appendix I, the following standard is set forth:

"When outside auditors are engaged for assignments requiring the expression of an opinion on financial reports of governmental organizations, only fully qualified public accountants should be employed."

It is undisputed that, for the purposes of this case, the term "fully qualified public accountants" means CPA's.

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In his request for reconsideration, however, Mr. Aretakis who is not a CPA, disputes that this requirement is applicable. According to Mr. Aretakis, the RFP "did not require an opinion on financial reports of Government organizations but 'an examination of financial and compliance matters and a review of efficiency and economy in carrying out project or contract responsibilities.'" (Inside quote from page 3 of the RFP.)

Mr. Aretakis' contention raises two questions. First, does the RFP contemplate auditing work which requires an expression of an opinion on financial reports? Second, does the RFP require auditing work involving financial reports of governmental organizations?

We believe that the first question was answered in our prior decision in which we quoted the RFP Statement of Work section as follows:

" * * * audits will result in audit reports containing opinions on the financial transactions and the business practices of the government units or business firms involved."

Moreover, the "Standards" pamphlet clearly states:

"Each audit report containing financial reports shall:

- "1. Contain an expression of the auditor's opinion as to whether the information in the financial reports is presented fairly in accordance with generally accepted accounting principles (or with other specified accounting principles applicable to the organization, program, function, or activity audited), applied on a basis consistent with that of the preceding reporting period. If the auditor cannot express an opinion, the reasons therefor should be stated in the audit report."

As is indicated in our prior decision, it is true that the "economy/efficiency" aspects of the auditing work would not necessarily call for an "expression of opinion" and thus a non-CPA auditor might be qualified to perform that portion of the audit assignment. However, EPA opposes the segregation of auditing functions on the grounds that the "economy/efficiency" and the "financial/compliance" aspects of the auditing work are integrally related and that contracting with separate firms to perform these functions would result in waste and unnecessary duplication of effort. Since Mr. Aretakis has offered no argument or evidence to dispute this we have no basis to disturb our conclusion.

With respect to the second question, the RFP stated that the work would involve audits of EPA grants, primarily for the construction of sewage treatment facilities, and that audits of some EPA contracts were also contemplated. While the organization being audited in every case may not be a governmental organization, it is clear from the introduction to the "Standards" pamphlet that the qualifications established for auditors are not limited to audits of Federal agencies by Government auditors. In pertinent part, the introduction states:

"This statement contains a body of audit standards that are intended for application to audits of all government organizations, programs, activities, and functions--whether they are performed by auditors employed by Federal, State, or local governments; independent public accountants; or others qualified to perform parts of the audit work contemplated under these standards. These standards are also intended to apply to both internal audits and audits of contractors, grantees, and other external organizations performed by or for a governmental entity." (Emphasis added.)

Therefore, those audits performed for a Federal agency by outside auditors are audits of "governmental organizations" in the sense the term is used in the "Standards"

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pamphlet. Thus, we find no basis to conclude that the qualifications criteria set forth in the "Standards" pamphlet were inapplicable to the audit work contemplated by the RFP.

Accordingly, the prior decision is affirmed.

R. F. K. 11-11-11
Deputy Comptroller General
of the United States